

MULTI-CORP INC.
1994 Annual Report



*Enhancing
the World's
Ability to
Communicate*

增進世界各族交流能力

Introduction

Multi-Corp Inc. is a high technology company that provides leading edge, computer based language translation and international telecommunications services. The Company's capabilities include:

- ▶ Quality, cost effective, international long distance dialing.
- ▶ Fast, cost effective and high quality computer assisted translation of documents from Chinese to English and English to Chinese.
- ▶ World leading Ziran System for character language input to electronic and software products. It is the easiest input system to learn, use and remember because it is intuitive to the user.
- ▶ The Company's mission is to design, develop and market innovative products which enhance the world's ability to communicate.
- ▶ Multi-Corp Inc. is committed to total customer satisfaction, providing an environment in which employees can achieve growth and prosperity, delivering value to the shareholders and developing products with due consideration to protecting our environment.
- ▶ Multi-Corp Inc. and its subsidiaries operate from offices in Calgary, Alberta; Miami, Florida; Hong Kong; São Paulo, Brazil; and the Barbados.



Miami Switching Centre

Annual Meeting

Shareholders are cordially invited to attend the Company's Annual Meeting which will be held on Friday, June 23rd, 1995, at 11:00 a.m. at the Calgary Petroleum Club, Cardium Rooms A and B, 319 - 5th Avenue S.W. Shareholders are requested to complete and return the Proxy form to the Company's registrar and transfer agent, R-M Trust Company, if unable to attend the meeting.

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引言

盟通集團有限公司(Multi-Corp Inc.) 乃一尖端技術公司，為客戶提供先進的、以電腦為基礎的語言翻譯及國際通訊服務。其業務專長包括：

- 高質量、低成本的國際長途電話通訊。
- 電腦輔助的中、英文互譯服務，譯稿快捷，成本低廉，質量最佳。
- 處世界領先地位的自然輸入系統，可以藉軟件把方塊字語言輸入電腦，易學、易用、易記，使用者一目了然，是當今最簡便的輸入系統。

公司的使命是，設計、開發與推銷日益更新的產品，增進世界各族交流能力。

盟通集團的信條是，竭誠提供讓顧客滿意的服務，盡力為雇員提供發展和成功的工作環境，努力為股東謀利，致力開發以環境保護為前提的優質產品。

盟通集團及其附屬公司，在亞爾伯塔省卡加利市、佛羅里達州邁阿密市、香港、巴西聖保羅及巴貝多等處，均設有辦事處。



Ziran Translations Ltd. Hong Kong Office – Lippo Centre

Summarized Financial Information

	1994	1993 ⁽¹⁾
Revenue	\$ 4,422,465	\$ 8,461
Net Loss from Continuing Operations	\$ 3,585,938	\$ 345,380
Loss Per Common Share from Continuing Operations	\$.197	\$.048
Cash Flow from Continuing Operations	\$ (1,755,868)	\$ (552,552)
Cash Flow from Continuing Operations Per Common Share ⁽²⁾	\$ (.096)	\$ (0.77)
Long Term Debt ⁽³⁾	\$ 2,050,789	\$ 860,762
Common Shares Outstanding	18,784,500	15,924,000
Shareholders' Equity	\$ 5,532,187	\$ 3,928,294

(1) Restated to reflect the discontinued equipment rental operation.

(2) Based upon the weighted average number of common shares outstanding during the year for 1994 of 18,227,022 and 1993 of 7,221,573.

(3) Long term debt excludes debt due within 12 months.

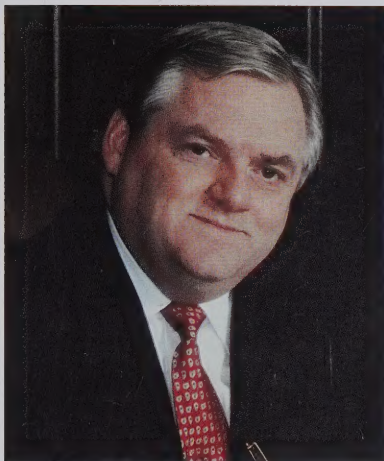


Software and Translation Colleagues



Miami International Gateway Control Centre

Report to Shareholders



Michael E. Lobsinger
Chairman and CEO

1994 was a tremendous year of growth for Multi-Corp Inc. Through rapid acquisition, revenues from continuing operations have increased from \$8,461 in 1993 to \$4,422,465 in 1994.

Multi-Corp Inc. has consolidated its global operations to concentrate in two areas, namely international communications services, which includes our Ziran Group of Companies specializing in Asian language translation and our Asia Magic word processing software, and international telecom services where our two focal companies are Miami International Gateway, Inc. and UTN do Brasil. In addition, Multi-Corp Inc. has disposed of most of the non-core assets of its wholly owned subsidiary, United Industrial Equipment Rentals Ltd., effective the end of the fourth quarter 1994.

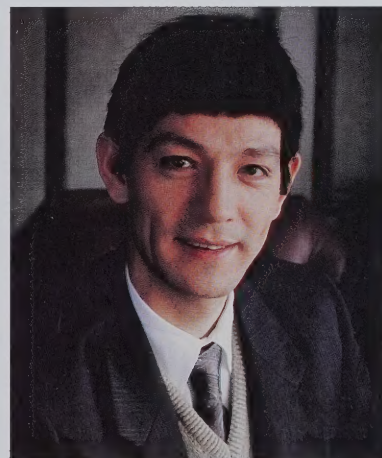


Asia Magic Products

致股東報告書

1994 年對盟通集團來說，是迅速發展的一年。通過收購分公司，其收益由 1993 年的 8,461 加元，增長至 1994 年的 4,422,465 加元。

盟通集團已將其環球業務合併，現集中於兩大範圍；即國際交流服務及國際通訊服務。前者包括自然公司集團，該集團擅長亞洲語言翻譯和使用自創的<<神州通文書>>文字處理軟件。後者包括位於邁阿密的蓋特衛(Gateway) 國際公司和位於巴西聖保羅的 UTN do Brasil 公司。此外，1994 年四季度末，盟通集團已處理掉其全控股、但並非主要資產的附屬公司——聯合工業設備租賃有限公司。



Dr. Eric Chappell
Managing Director, Asia

Character Language Software and Translation Services

Through Multi-Corp Inc.'s wholly owned subsidiaries, Ziran Translation Services Limited and Ziran Software Limited, significant progress has been made in developing the market for the Company's products. Offices were opened in both Hong Kong and Canada, and our products were launched to rave reviews in both markets.

The Asia Magic software products feature the world leading Ziran Input System, which revolutionizes the character language user interface to computers and electronic products. The software enables people who can write characters to type them in the same stroke order. It is easy to learn, use and remember. The software is now used by many corporations, governments and universities throughout the world, and the user base continues to grow daily. New hardware and software products which utilize the Ziran Input System are under development in the Company's design centre. Negotiations are also being conducted with a number of companies to integrate the Input System with their products, services and systems.

The Ziran Translation Service Bureau opened its first office November 1, 1994 in Hong Kong and has been quickly followed by the opening of a Calgary office in February 1995. At the heart of the process is the Company's machine language translation capabilities and our telecom systems. Together they provide customers with the quickest, most cost effective and highest quality translation of structured documents from Chinese to English and English to Chinese. These documents can be delivered from and to anywhere in the world, utilizing the telecom system, saving both time and expense. By having offices on opposite sides of the world, translation staff can also work on documents 24 hours a day. Demonstrations of the technology have been made to a large number of businesses and trials of the products have been completed successfully. Translation activities to date have included television listings, financial, legal and highly technical documents. As of the end of 1994, the Company has secured one long term contract in addition to a steady flow of documents from a cross-section of legal, financial and industrial enterprises. Other long term contracts were secured early in 1995 and the Company's international client base continues to grow as customers seek to share the benefits of this exciting technology.

方塊文字軟件及翻譯服務

盟通集團的全控股附屬公司——自然翻譯有限公司和自然軟件有限公司——在開拓市場，推銷公司產品方面取得了巨大進展。該公司在香港及加拿大分別設有辦事處，其產品及服務贏得市場讚譽。

<<神州通文書>>軟件乃世界先進的自然文字輸入系統，它對電腦處理方塊文字的傳統方法，進行了革新。使用者可按筆劃順序將文字輸入電腦，用法簡便，易學易記。如今，該軟件已被世界各地的公司、政府部門及大學廣泛採用，用戶與日俱增。本公司的研究中心正繼續開發並完善適用於自然文字輸入系統的新型硬、軟件。本公司正與不少公司洽商，把自然文字輸入系統與那些公司的產品、服務和電腦系統結為一體。

自然翻譯服務公司於1994年11月1日在香港率先開業，又於1995年2月在卡加利相繼設立了辦公室。本公司的機器語言翻譯能力和通訊體系是公司運作過程的核心。二者同心協力，為客戶提供速度最快、成本效益最高、質量最佳的商業、技術性文件的中、英文互譯。通過通訊體系，可在全世界任何地方發送及接收翻譯文件，既省時間又省開支。由於兩地的辦公室地處地球兩端，譯員們可以晝夜工作。這一技術已向眾多企業公開展示。探測市場的試譯業務也獲成功。日前的翻譯範圍包括：電視節目單、金融、法律、及專業技術文件等。截至1994年底，本公司除簽訂一項長期翻譯合同外，翻譯文件來源也日趨穩定，涉及法律、金融和工業企業等各領域。1995年初，自然公司又另外簽訂了一些長期合同。由於這一令人興奮的技術成果，深受客戶青睞，本公司國際客戶數量也在繼續擴大。

International Telecommunications

The telecommunications sector of Multi-Corp Inc. has been growing at an exponential rate throughout 1994. The Company's goal was to increase revenues and establish an "information highway" for the Ziran Group of Companies, so that its customers could access the unique character language services provided by Ziran, as well as other "value added services" and products which the Ziran Group of Companies can offer.

Multi-Corp Inc. completed the acquisition of UTN do Brasil in the second quarter, and completed the acquisition of Miami International Gateway, Inc. in the third quarter of 1994. UTN is based in São Paulo, Brazil and provides the sales and marketing expertise for all South American countries. Miami International Gateway, Inc. provides a switch platform through which the company is able to provide the "information highway" to Ziran customers, as well as other telecommunications users. Revenues for the telecommunications group increased from \$330,510 in the first quarter of 1994 to \$1,249,462 in the fourth quarter of 1994.

For 1995, the telecommunications group is concentrating on expanding the revenue base and expanding the services provided through equipment enhancements. Such developments will allow customers to send high quality digital faxes anywhere in the world, access worldwide voice mail services, and utilize cost effective travel cards.

The goals set by the telecommunications group for 1994 were achieved through acquisition and superior efforts by all employees. Multi-Corp Inc. will continue to look for acquisitions and strategic alliances which will continue to develop this sector.

國際通訊公司

1994 年，盟通集團的國際通訊公司一直保持成倍增長。本公司的目標是，增加收益，為自然集團創建"信息高速公路"，使客戶既能享受自然集團提供的方塊字語言處理的獨特服務，又能分享自然集團所提供的其他"增值服務"與產品的益處。

1994 年第二、三季度，盟通集團先後、分別收購了 UTN do Brasil 公司和邁阿密國際蓋特威(Gateway)公司。UTN 公司位於巴西聖保羅，它向南美洲各國提供銷售及市場開發專門技術。邁阿密國際蓋特威(Gateway)公司成為本公司的中轉樞紐，為自然集團的客戶以及其他通訊用戶提供"信息高速公路"。通訊公司的收益從 1994 年第一季度的 330,510 加元增至 1994 年第四季度的 1,249,462 加元。

1995 年，通訊公司的業務重點是，更新設備，擴大服務範圍，增加收入。設備的更新將使客戶能向世界任何地方發送高保真度數控傳真，在全球範圍使用"聲郵"服務，使用成本低廉的旅行卡。

通過收購分公司及全體僱員的竭誠努力，通訊公司制定的 1994 年目標已經實現。盟通集團有限公司將繼續尋求新的公司收購機會，結成新的戰略聯盟，以使本集團百尺杆頭，更進一步。

Outlook for 1995



On Screen Asia Magic

Multi-Corp Inc. will continue to develop its business units in the international arena, with Asia currently on the world stage. The Company is strategically poised to take advantage of the phenomenal growth in this area as it can provide clients with a significant advantage of doing business in the Asian market by being able to offer them translation services, character language input and word processing and international telecommunications products.

The Company expects to achieve a continued dramatic growth in revenues and sales for 1995. That growth will be achieved through the continued development of the Company's existing subsidiaries, acquisitions and strategic alliances with major companies that can utilize our products and services.

In June of 1994, Multi-Corp Inc. started trading on the NASDAQ Small Cap Market in the United States, and has submitted a listing application to The Toronto Stock Exchange in Canada.

The Company looks forward to an exciting 1995, and will continue to work in the interest of enhancing the value of its shareholders.

For and on behalf of the Board of Directors

Michael E. Lobsinger
Chairman & Chief Executive Officer

April 8th, 1995

對 1995 年的展望

盟通集團有限公司將繼續在全球範圍尋求擴大業務，然而，考慮到當今亞洲在世界舞臺崛起的事實，本集團對亞洲的策略是，利用該地區經濟迅猛發展的機會，通過本公司提供的翻譯、方塊文字自然輸入、文字處理和國際通訊等多項服務，為在亞洲市場從事商業活動的客戶提供處於巨大優勢的機會。

本公司期望，1995 年收入及銷售持續大幅度增長。實現此目標，將繼續仰賴於對現有子公司進一步挖潛，收購新的分公司，以及和那些能利用現有產品及服務的其他大公司結成戰略聯盟。

1994 年 6 月始，盟通集團有限公司已在美國 NASDAQ 小額資本證券交易所公開上市，並已向加拿大多倫多股票市場提交了上市申請。

本集團期待著令人興奮的 1995 年，將為增加眾多股東的投資價值及其利益繼續不懈地努力。

謹此代表董事會

Michael E. Lobsinger
董事會主席兼行政總裁

1995 年 4 月 8 日

Management's Discussion of Financial Results

The following discussion of Multi-Corp's financial position and results of operations for the two years ended December 31, 1994 should be read in conjunction with the consolidated financial statements of the Company, together with accompanying notes, for the years ended December 31, 1994 and 1993.

Three significant events took place in 1994 which had a major impact on the Company's operating results for 1994 and will continue to impact future results:

- ▶ The acquisition of 100% of the share capital of Miami International Gateway, Inc. located in Miami, Florida and UTN do Brasil, located in São Paulo, Brazil, both telecommunications companies providing international "telecommunication" services.
- ▶ The strategic investment in the start up of the Ziran translation and software operations. Software (March 1994) and translation (November 1994) offices were opened in Hong Kong, followed by the opening of the Calgary (January 1995) translation and development centre. Significant progress was made in creating market awareness of the Ziran Input System, developing a marketing and sales capability, and establishing sound business practices.
- ▶ The disposition of the rental assets and operations of United Equipment Rentals which was no longer considered to be core to the Company's activities. The net results of these operations for 1994 have been disclosed as Discontinued Operations in order to focus on ongoing operations. Comparative results for 1993 have been restated accordingly.

Financial Results

Revenues for 1994 have increased to \$4,422,465 from \$8,461 in 1993, primarily due to the acquisitions of Miami International Gateway, Inc. and UTN do Brasil in 1994, and Telpoint International Inc. in late 1993. Revenues from these activities continue to grow at a rapid rate. Revenues from translation activities and software sales did not have a significant impact as these activities only commenced late in 1994.

Direct costs, comprised mainly of line usage charges in the telecommunications companies, have increased in line with gross revenues. General and administrative expenses have also increased significantly due to the acquisitions in the telecommunications division and to the opening of new offices in Hong Kong and Calgary. Many of these are non-recurring start-up costs.

Depreciation and amortization charges of \$1,395,184 for 1994 are comprised mainly of the amortization of the value attributed to customer accounts upon the acquisition of the three telecommunications subsidiaries. The charges of \$6,089 for 1993 reflect only depreciation of office furniture and equipment.

Net income from discontinued operations of \$238,766 for 1994 and \$102,113 for 1993 represents the net results for the respective years of the Company's wholly owned subsidiary, United Equipment Rentals. Included in the 1994 results is a gain of \$245,667 on disposition of the rental equipment fleet. The Company continues to hold the land and the building, which are currently being marketed for sale and should provide additional cash flow.

Total assets of \$11,276,526 at December 31, 1994 have increased by \$4,684,715 from \$6,591,811 in 1993, primarily reflecting the acquisitions of Miami International Gateway, Inc. and UTN do Brasil. The outstanding consideration concerning the TelPoint acquisition was renegotiated, resulting in a \$1,000,000 reduction to intangible assets (customer lists).

Total liabilities have increased by \$3,080,822 during 1994 to \$5,744,339. This partly reflects the acquisitions carried out, but is mainly due to a \$1,500,000 convertible note issue and loans from shareholders totalling \$720,229.

Share capital has increased by a net amount of \$4,960,065 during the year due to the issuance of common shares upon the acquisition of the telecommunications subsidiaries. Included in the above was the renegotiation of the outstanding consideration concerning the TelPoint acquisition, which resulted in a \$1,000,000 reduction in share capital.

Capital Resources and Liquidity

The cash balances on hand at December 31, 1994, of \$946,141 include proceeds from the sale of rental assets at year end. In addition, \$850,000 was held in escrow for the settlement of secured creditors and other bank loans of United Equipment Rentals and security for the completion of the transfer of assets. The surplus after settling these liabilities will be used to fund the ongoing operations of the Company. Operations are expected to be self-funding by the third quarter of 1995. The Company is seeking additional equity to further expand its core business operations, fund operations until they are self-funding and to acquire related business opportunities. At the writing of this report, \$775,000 of additional equity has been raised, and the Company has restructured some of its convertible notes, the license fees payable and shareholder loans to defer payments until 1996.

Risks and Uncertainties

Multi-Corp Inc. is subject to the risks and uncertainties inherent in carrying on business in the international arena where currency fluctuations, legislative change and competition can have a major impact on the future profitability of its operations. Additionally, the Company's development of new markets with new products also poses significant challenges. Management believes however, that the Company currently enjoys a competitive advantage in both activities and is investing in both product and market development initiatives to protect and extend that advantage, and create a commercial success of all product lines. Additionally, the Company is seeking strategic alliances to exploit the technology leadership in the marketplace.

Auditors' Report

To the Shareholders of Multi-Corp Inc.:

We have audited the consolidated balance sheet of Multi-Corp Inc. as at December 31, 1994 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The consolidated financial statements as at and for the year ended December 31, 1993 were reported on by other auditors who expressed an opinion without reservation on those statements in their report dated February 7, 1994

Calgary, Alberta
May 16, 1995

Deloitte & Touche

Chartered Accountants

Consolidated Statement of Loss and Deficit

For the year ended December 31, 1994

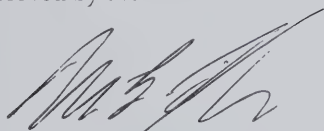
	1994	1993
		(Note 11)
Revenue		
Sale of telecommunication services	\$ 4,256,741	\$ —
Translation revenues and software sales	72,164	—
Other	93,560	8,461
	4,422,465	8,461
Expenses		
Direct costs	3,054,802	—
General and administrative	3,711,986	343,054
Depreciation and amortization	1,395,184	6,089
Other interest	34,886	4,698
Interest on long-term debt	68,750	—
	8,265,608	353,841
Net loss from continuing operations before taxes	(3,843,143)	(345,380)
Recovery of unrecorded deferred tax benefits (Note 9)	257,205	—
Net loss from continuing operations	(3,585,938)	(345,380)
Discontinued operations (Note 11)	238,766	102,113
NET LOSS	(3,347,172)	(243,267)
Deficit, beginning of year	(495,594)	(234,327)
Dividends	(9,000)	(18,000)
DEFICIT, end of year	\$(3,851,766)	\$(495,594)
Loss per share from continuing operations	\$ (0.197)	\$ (0.048)
Loss per share (Note 12)	\$ (0.184)	\$ (0.034)

Consolidated Balance Sheet

As at December 31, 1994

	1994	1993
ASSETS		
Current assets		
Cash	\$ 946,141	\$ 487,921
Cash held in trust	850,000	—
Accounts receivable	2,188,488	1,179,375
Prepaid expenses	69,010	26,965
	4,053,639	1,694,261
Capital assets (Note 3)	1,533,534	2,472,231
Intangible assets (Note 4)	5,689,353	2,425,319
	\$11,276,526	\$6,591,811
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,155,489	\$ 774,955
Convertible notes payable (Note 5)	445,000	—
Current portion of long-term debt (Note 6)	991,091	594,000
License fees payable (Note 7)	—	264,800
	3,591,580	1,633,755
License fees payable (Note 7)	280,361	—
Shareholder loans (Note 13(b))	720,229	—
Convertible notes payable (Note 5)	1,050,169	—
Long-term debt (Note 6)	—	860,762
Deferred income taxes	102,000	169,000
	5,744,339	2,663,517
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	9,383,953	4,423,888
Deficit	(3,851,766)	(495,594)
	5,532,187	3,928,294
	\$11,276,526	\$6,591,811

Approved by the Board



Michael E. Lobsinger, Director



Derrick R. Armstrong, Director

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1994

	1994	1993
		(Note 11)
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net loss from continuing operations	\$(3,585,938)	\$ (345,380)
Add items not affecting cash		
Depreciation and amortization	1,395,184	6,089
Recovery of unrecorded deferred tax benefit	(257,205)	—
	(2,447,959)	(339,291)
Changes in non-cash working capital items	692,091	(213,261)
Discontinued operations	(525,459)	253,794
	(2,281,327)	(298,758)
Financing		
Issue of share capital	5,960,065	3,431,000
Cancellation of shares issued on acquisition of subsidiary (Note 10)	(1,000,000)	—
Issue of convertible notes	1,495,169	—
Dividend payments	(9,000)	(18,000)
Shareholder loans	720,229	—
Repurchase of share capital	—	(720)
	7,166,463	3,412,280
Investing		
Reduction to customer accounts (Note 10)	1,000,000	—
Acquisition of subsidiaries	(5,988,344)	(1,125,000)
Purchase of capital assets	(643,949)	(2,062)
Proceeds on sale of capital assets of discontinued operations	2,447,325	—
Pre-operating expenses	(424,420)	—
Acquisition of license agreements	—	(1,031,133)
	(3,609,388)	(2,158,195)
NET CASH INFLOW	1,275,748	955,327
Cash from acquisition of subsidiary	32,472	27,543
Cash position, beginning of year	487,921	(494,949)
Cash and cash held in trust, end of year	\$ 1,796,141	\$ 487,921

Notes to the Consolidated Financial Statements

For the year ended December 31, 1994

1. Significant Accounting Policies

Principle of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, United Industrial Equipment Rentals Ltd. (Note 11), TelPoint International Inc., Miami International Gateway Inc., UTN do Brasil Consultoria Ltd., and Asia Translation and Telecommunications Ltd.

Foreign currency translation

The accounts of the Company's integrated operations in foreign subsidiaries are translated into Canadian dollars using the temporal method whereby monetary items are translated at the rate of exchange in effect at the balance sheet date and non-monetary items are translated at applicable historical rates. Revenue and expense items are translated at the exchange rate in effect when each of the items are recognized. Depreciation and amortization are translated at the exchange rate in effect for the asset giving rise to the depreciation or amortization.

Capital assets

The Company records capital assets at cost and provides for amortization using the declining-balance method at the following annual rates:

Rental fleet equipment	10% to 35%
Rental accessories and parts	50%
Office and computer equipment	30%
Shop and automotive equipment	30%
Telecommunications equipment	20%
Buildings	10%

Leasehold improvements are recorded at cost and amortized over the remaining term of the lease.

Intangible assets

Costs incurred in the pre-operating phase of the Company's software and translation subsidiary have been capitalized. The pre-operating phase has been determined to have ended September 30, 1994.

The Company records intangible assets at cost and provides for amortization using the straight-line method over the following number of years:

Customer accounts	5 years
License agreements	10 years
Pre-operating costs	1 year

2. Acquisitions

a) UTN do Brasil Consultoria s/c Ltd.

On May 6, 1994, the Company acquired all of the outstanding shares of UTN do Brasil Consultoria s/c Ltd., ("UTN"), a company engaged in providing international telecommunication services for customers in Brazil, in exchange for 1,050,000 common shares (\$3.95 per share), 537,500 Series A warrants and 537,500 Series B warrants. No value has been attached to the warrants for purposes of calculating the purchase price.

Of the 1,050,000 common shares issued on acquisition, 700,000 shares were placed in escrow to be released on the basis of one share for each \$11.00 of the consolidated gross revenue generated by UTN and Miami International Gateway, Inc. within 18 months of the acquisition date.

The acquisition was accounted for using the purchase method with the results of operations included in these financial statements from the date of acquisition.

Notes to the Consolidated Financial Statements

For the year ended December 31, 1994

2. Acquisitions (continued)

Net assets acquired	
Cash	\$ 12,451
Non-cash working capital	524,633
Capital assets	51,861
Customer accounts	3,845,384
	<hr/>
	4,434,329
Less current liabilities assumed	221,952
	<hr/>
	\$4,212,377

b) Miami International Gateway, Inc.

On May 6, 1994, the Company acquired all of the outstanding shares of Miami International Gateway, Inc., a company which provides international switched telecom services, in exchange for 350,000 common shares valued at \$3.95 per share plus cash consideration of \$339,475.

The acquisition was accounted for using the purchase method with the results of operations included in these financial statements from the date of acquisition.

Net assets acquired	
Cash	\$ 20,021
Non-cash working capital	416,128
Capital assets	541,505
Other assets	4,085
Customer accounts	1,206,170
	<hr/>
	2,187,909
Less current liabilities assumed	411,942
	<hr/>
	\$1,775,967

c) Telpoint International Inc.

On December 16, 1993, the Company acquired all of the outstanding shares of Telpoint International Inc., a company engaged in providing international telecommunication services for customers in Latin America, in exchange for 1,100,000 common shares valued at \$1.00 per share plus cash consideration of \$25,000.

Of the 1,100,000 common shares issued on acquisition, 1,000,000 shares were placed in escrow to be released on the basis of one share for each \$1.00 of cash flow generated by Telpoint International Inc. In addition to the purchase price, the vendor received warrants entitling the holder to purchase an additional 400,000 common shares. This agreement was amended (Notes 8 and 10).

The acquisition was accounted for using the purchase method with the results of operations included in these financial statements from the date of acquisition.

Net assets acquired	
Cash	\$ 27,543
Non-cash working capital	165,834
Capital assets	11,398
Customer accounts	1,334,438
	<hr/>
	1,539,213
Less current liabilities assumed	414,213
	<hr/>
	\$1,125,000

Notes to the Consolidated Financial Statements

For the year ended December 31, 1994

3. Capital Assets

	Cost	Accumulated Amortization	Net Book Value	
			1994	1993
Rental fleet equipment	\$ —	\$ —	\$ —	\$1,766,245
Rental accessories and parts	—	—	—	82,861
Computer and office equipment	268,824	52,068	216,756	33,430
Shop and automotive equipment (Note 11)	—	—	—	37,312
Building (Note 11)	431,136	162,411	268,725	298,583
Telecommunications equipment	881,803	128,694	753,109	—
Land (Note 11)	253,800	—	253,800	253,800
Leaseholds	64,193	23,049	41,144	—
	\$1,899,756	\$366,222	\$1,533,534	\$2,472,231

4. Intangible Assets

	Cost	Accumulated Amortization	Net Book Value	
			1994	1993
Customer accounts	\$5,385,992	\$ 940,224	\$4,445,768	\$1,397,023
License agreements (Notes 7 and 14)	1,031,134	105,954	925,180	1,028,296
Pre-operating expenses	424,420	106,015	318,405	—
	\$6,841,546	\$1,152,193	\$5,689,353	\$2,425,319

5. Convertible Notes Payable

On May 15, 1994, the Company received \$1,500,000 through the issue of unsecured convertible notes. The notes bear interest at 8% per annum, are due on May 15, 1995 and are convertible at the option of the holder into common shares within one year at prices of \$3.75 per share for 367,867 shares and \$4.40 per share for 27,386 shares.

Subsequent to the year end, holders of \$867,500 of these notes agreed to extend the conversion and payment dates of the notes to May 15, 1996 at an interest rate of 10%. Notes of \$187,500 were converted to common shares in February 1995. Notes of \$445,000 remain due on May 15, 1995, and are recorded as current liabilities.

6. Long-term Debt

	1994	1993
9.5% first mortgage, payable \$4,788 per month, principal and interest, due July 1, 1995. Secured by specific land and building, a corporate guarantee, assignment of rents and an assignment of insurance coverage	\$465,711	\$ 479,735
Term bank loan, due on demand, with interest at prime plus 1.75%, payable \$9,289 per month principal plus interest	297,248	408,716
Business improvement loan, due on demand with interest at prime	60,682	—
Finance contracts at varying rates of interest, from 7.90% to 12.75% or prime plus 1.5% to prime plus 3.75%, payable monthly at \$36,206, principal and interest. Specific equipment has been pledged as collateral	167,450	566,311
	991,091	1,454,762
Less current portion (Note 11)	991,091	594,000
	\$ —	\$ 860,762

Notes to the Consolidated Financial Statements

For the year ended December 31, 1994

6. Long-term Debt (continued)

The following have been provided as collateral for the bank loan:

- i) general assignment of book debts and lease contracts;
- ii) fire insurance policy;
- iii) demand debenture in the amount of \$2,000,000;
- iv) general security agreement.

7. License Fees Payable

These amounts are due under the terms of the License Agreements described in Note 4 and Note 14 and bear interest at 10% per annum.

8. Share Capital

	Number of Shares	Amount
<i>Authorized</i>		
Unlimited number of common shares		
Unlimited number Class A, 9% convertible, preferred shares		
<i>Issued</i>		
Common shares:		
Balance, December 31, 1992	6,200,000	\$ 793,608
Repurchased pursuant to an issuer bid	(7,000)	(720)
Issued on exercise of stock options	99,000	9,900
Issued on acquisition of license agreements	5,000,000	500,000
Issued on acquisition of subsidiary (Note 2)	1,100,000	1,100,000
Issued under private placements	3,532,000	1,821,100
Balance, December 31, 1993	15,924,000	4,223,888
Issued on exercise of stock options	699,000	99,900
Issued on exercise of warrants	900,000	225,000
Issued on acquisition of subsidiaries	1,400,000	5,530,000
Issued on settlement of management agreement (Note 13(d))	61,500	105,165
Issued on conversion of preferred shares	800,000	200,000
Cancellation of shares issued on acquisition of subsidiary (Note 10)	(1,000,000)	(1,000,000)
Balance, December 31, 1994	18,784,500	9,383,953
Class A preferred shares:		
Balance, December 31, 1993 and 1992	200,000	200,000
Converted to common shares	(200,000)	(200,000)
Balance, December 31, 1994	—	\$ —

Share purchase warrants:

On August 18, 1994, 1,800,000 warrants were converted into 900,000 common shares for a total value of \$225,000.

Notes to the Consolidated Financial Statements

For the year ended December 31, 1994

8. Share Capital (continued)

At December 31, 1994, the following share purchase warrants, issued in connection with a private placement and acquisition of subsidiaries, were outstanding:

Warrants	Common Shares	Conversion Price Per Common Share	Expiry Date
Private placement 200,000	100,000	\$0.25	November 23, 1996
Acquisition of subsidiaries 400,000 (Note 10)	400,000	\$2.05	December 31, 1996
537,500 Series A Warrants	537,500	\$7.00	October 31, 1995
537,500 Series B Warrants	537,500	\$8.00	October 31, 1996
Total	1,575,000		

The Company has granted options to directors and management to purchase common shares as follows:

Expiration	Number of Stock Options	Option Price Per Share
February 9, 1996	50,000	\$2.80
October 26, 1998	225,000	\$0.15
August 15, 1999	50,000	\$2.70
October 14, 1999	100,000	\$3.00
October 17, 1999	1,600,000	\$2.20
	2,025,000	

During the year ended December 31, 1994, 699,000 stock options were exercised at prices of \$0.10 and \$0.15 per share.

Subsequent to the year end, the Company committed to issue 225,000 options to a business development consultant at an exercise price of \$1.95 per share, subject to certain performance conditions. In addition, further equity has been subscribed to (Note 19), and 50,000 shares were issued on conversion of \$187,500 of convertible notes (Note 5).

Pursuant to policies of the Alberta Securities Commission and the Alberta Stock Exchange, certain issued common shares are held in escrow. At December 31, 1994, 5,700,000 (1993 – 6,000,000) common shares were held in escrow.

5,000,000 of the common shares held in escrow are non-voting until certain performance levels are reached relating to cash flow derived from the license agreements. These shares are released from escrow on the basis of one share for every \$0.10 in cash flow from the sale of all products that use the systems designated by the license agreements.

700,000 of the common shares held in escrow are released on the basis of one share for each \$11.00 of the consolidated gross revenue generated by UTN do Brazil Consultoria s/c Ltd. and Miami International Gateway, Inc. within 18 months of the acquisition date (Note 2(a)).

Notes to the Consolidated Financial Statements

For the year ended December 31, 1994

9. Income Taxes

The Company's actual tax rate differs from the Canadian statutory rates as it has not recorded all the benefits available.

The Company and its Canadian subsidiaries have accumulated non-capital losses for income tax purposes at December 31, 1994 of approximately \$1,100,000. These losses can be applied against taxable income of future years, and if not utilized, expire as follows:

2000	\$ 100,000
2001	1,000,000
	<hr/>
	\$1,100,000

The Company's U.S. subsidiaries have losses for income tax purposes of \$379,000 which expire in 2009. The Company's Hong Kong subsidiaries have losses for income tax purposes of \$540,000 which have no expiry date.

10. Amendment to Acquisition of Subsidiary Agreement

The Company renegotiated the consideration with respect to the acquisition of TelPoint International, Inc. (Note 2) which has been reflected by:

- Cancellation of 1,000,000 common shares held in escrow.
- Cancellation of 200,000 warrants at an exercise price of \$1.15 per share
- Cancellation of 200,000 warrants at an exercise price of \$2.00 per share.
- Issuance of 400,000 warrants at an exercise price of \$2.05 per share. These warrants are held in escrow and are to be earned out on the basis of performance criteria.
- A reduction to share capital and intangible assets of customer accounts of \$1,000,000.

11. Discontinued Operations

Operations of United Industrial Equipment Rentals Ltd. were discontinued in 1994. Proceeds of \$2,447,325 have been received on the sale of the majority of assets resulting in a gain of \$245,667 (net of taxes of \$195,703). The operating results of this operation was a loss of \$6,901 (1993 – income of \$102,113), net of taxes of \$5,498 recovery (1993 - \$99,000 expense). At year end, net assets of discontinued operations of \$522,525 remain to be disposed. Revenues from discontinued operations were \$3,319,763 in 1994, and \$3,326,443 in 1993.

The statements of loss and changes in financial position for 1993 have been restated to reflect the reclassification of income of \$102,113 arising from the discontinued operations in 1994.

12. Loss Per Common Share

	1994	1993
Basic and fully dilutive	\$(0.184)	\$(0.034)
Basic and fully dilutive from continuing operations	\$(0.197)	\$(0.048)

Loss per common share is calculated using the weighted average number of common shares outstanding during the respective fiscal years. Fully diluted loss per share is reflected as the same loss per share, as the effect of the exercising of stock options, warrants and conversion of preferred shares is anti-dilutive.

Notes to the Consolidated Financial Statements

For the year ended December 31, 1994

13. Related Party Transactions

- a) During the year ended December 31, 1994, \$100,500 in management fees were paid to a company owned by a director.
- b) At December 31, 1994, shareholder loans of \$720,229 bear interest at 0.85% per month. Shareholder loans have no fixed terms of repayment and the shareholders have committed not to demand payment of the loans before January 1996.
- c) During the year ended December 31, 1994, a law firm in which a director is a partner, provided \$97,465 in legal services of which \$46,907 remains in accounts payable.
- d) During the year ended December 31, 1994, a management agreement with a company owned by a director was cancelled. Settlement fees of \$195,952 were paid through cash, shares and office equipment.

14. Commitments

The Company rents premises and equipment under operating leases which expire at various dates up to September 2000. Annual rentals under these leases for each of the next five years are as follows:

1995	\$ 469,320
1996	325,855
1997	125,938
1998	76,107
1999	74,378
	<hr/>
	\$1,071,598

Effective November 12, 1993, the Company has entered into three separate licence agreements relating to the acquisition of world-wide rights of the Asian language translation technologies. Annual fees for each of the three licence agreements are as follows:

Year 2	\$ 75,000 U.S.
Year 3	175,000 U.S.
Year 4	275,000 U.S.
Year 5	375,000 U.S.
Year 6 - 25	375,000 U.S.

The term of the agreements can be extended 25 years on the same terms and conditions if the Company has not been in default in the initial term of the agreements.

15. Contingencies

The Company has been named in two lawsuits, for which management has made a provision that they believe is sufficient to cover expected costs.

Notes to the Consolidated Financial Statements

For the year ended December 31, 1994

16. Segmented Information

The Company operates in two distinct industries, each of which operates in a different geographic region.

	United States and South America Telecommunication Services	Asian Software and Language Translation	Total Segmented Information
Revenue	\$4,256,740	\$ 82,144	\$4,338,884
Segmented net loss before discontinued operations	\$1,766,696	\$ 688,273	\$2,454,969
Depreciation and amortization	\$1,216,454	\$ 152,962	\$1,369,416
Capital expenditures, net of disposals	\$ 302,827	\$ 137,465	\$ 440,292
Net identifiable assets	\$6,613,511	\$1,467,221	\$8,080,732

Not included in the above segmented information is the information related to Multi-Corp's corporate office and discontinued operations: revenue of \$83,581; net loss before discontinued operations of \$1,130,969; depreciation and amortization of \$25,768; capital expenditures net of disposals of \$203,657; net identifiable assets of \$3,195,794. During the year ended December 31, 1993, the Company operated in one industry and geographic segment, Canadian equipment rentals, which was discontinued in 1994 (Note 11).

17. Change in Accounting Policy

The Company has changed its accounting policy for foreign currency translation from the current rate method used for the December 31, 1993 consolidated financial statements to the temporal method. Management has determined that the Company's foreign subsidiaries should be considered to be integrated operations as opposed to self-sustaining operations. This change in accounting policy did not have a material effect on the consolidated financial statements.

18. Change in Estimates

The Company has changed its estimate as to the length of time future benefits will be obtainable from the purchased customer accounts. Accordingly, the amortization period changed from 10 to 5 years.

19. Subsequent Events

Subsequent to the year end, the Company has commenced the raising of additional funds through private placements. The total amount of funding to be raised is approximately six million dollars, and these funds will be used to finance the continued growth of the business.

To date, 258,333 shares have been subscribed to at \$3.00 per share. Each share carries a warrant allowing the holder of the warrant to purchase a further common share at \$4.50 within 12 months.

Corporate Information

Directors

Michael E. Lobsinger⁽¹⁾
Calgary, Alberta

Eric Chappell
Hong Kong

Derrick R. Armstrong⁽¹⁾
Calgary, Alberta

Thompson MacDonald
Calgary, Alberta

Lynn D. Peters⁽¹⁾
Edmonton, Alberta

⁽¹⁾Member of the Audit Committee

Officers

Michael E. Lobsinger
Chairman & Chief Executive Officer

Ian C. Barrett
Chief Financial Officer

Eric Chappell
Managing Director – Asia

Bruce E. Marrett
President – Ziran Group of Companies

Derrick Armstrong
Secretary

Head Office

3000, 500 - 4th Avenue S.W.
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T2P 2Y3

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Bankers

Bank of Nova Scotia
Citibank

Solicitors

Ogilvie and Company
Calgary, Alberta

Auditors

Deloitte & Touche
Calgary, Alberta

Registrar & Transfer Agent

R-M Trust Company
Calgary, Alberta

Stock Exchange Listings and Symbols

The Alberta Stock Exchange
Common Shares: MCU

NASDAQ Stock Exchange
Common Shares: MCUAF
Small Cap Market

